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DCI/ICS 84-4349

18 September 1984

MEMORANDUM FOR: Director of Central Intelligence

FROM: VADM E. A. Burkhalter, Jr., USN  
Director, Intelligence Community Staff

25X1 SUBJECT: [REDACTED] Follow-up on In Search of Excellence

REFERENCE: Your memo, dtd 8 August 84, same subject

25X1 1. As we recently briefly discussed, we have received comments on your request regarding [REDACTED] paper from the DDI, the CIA Comptroller, and the Director, OSWR. In summary, their comments, as well as my own views, are as follows:

25X1 - [REDACTED] points regarding the Production Enhancement Initiative Program are valid and we should accommodate them by structuring a new program which will stimulate creative ideas in the production area that can quickly be approved and funded by an unencumbered system with the requisite authority. The new program should begin with a fairly modest [REDACTED] per year. 25X1

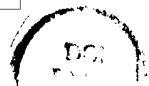
- Put the Intelligence Producers Council in charge. Permit the analyst to submit ideas for funding directly to the IPC without the need for other management approval. This approach should meet your objectives of quick turn around and permit implementation approval within a month or so. The IPC should also assume budgetary responsibility for the program.

- Retain the existing Production Enhancement Initiative Program to meet the needs of the exploitation of longer term, institutional ideas. You may wish to task the IPC to conduct a continuing review of the substance and quality of the Program and a recommendation regarding its longer term continuation in its present form.

- Lastly, we recommend you retain the Exceptional Intelligence Analyst Program (EIAP) essentially as it is and initiate requests to Departments and Agencies for 1985 nominations. Since this program is essentially a training program for the development of individual analysts and their skills, it is believed that an annual competitive process is appropriate.

25X1 [REDACTED]  
25X1 [REDACTED]  
  
WARNING NOTICE  
INTELLIGENCE SOURCES  
OR METHODS INVOLVED

~~CONFIDENTIAL~~



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2. If you concur in the recommendations presented above, we will initiate the necessary implementing actions. In order to get the FY 1985 EIAP underway, a customary memorandum for NFIP members is attached for your signature.

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E. A. Burkhalter, JR.  
Vice Admiral, USN

Attachment:  
a/s

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SUBJECT:

Follow-up on In Search of Excellence

DISTRIBUTION: (DCI/ICS 84-4349)

1 - DCI

2 - DDCI

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7 - D/PPS

8 - PPS Subject

9 - PPS Chrono

10 - ICS Registry

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DCI/ICS/PPS,

(11 September 1984)

## NATIONAL FOREIGN INTELLIGENCE BOARD

WASHINGTON, D.C. 20505

1 November 1984

MEMORANDUM FOR: National Foreign Intelligence Board

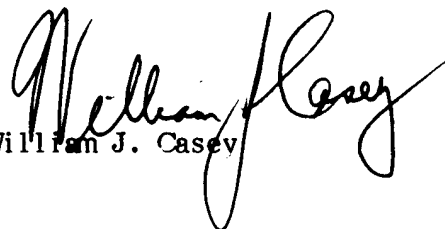
SUBJECT : DCI Exceptional Intelligence Analyst Program

1. Five years ago, the DCI Exceptional Intelligence Analyst Program was created to improve the quality of intelligence analysis by giving promising midcareer professionals the opportunity to personally tailor a project to sharpen their analytical skills and provide for their professional development. Projects have included sabbaticals at home or abroad, university study, independent research, or temporary assignments to other government agencies.

2. The Program is administered by the Intelligence Community Staff's Planning and Policy Staff in close collaboration with your agencies. Projects can last up to two years and all special expenses are underwritten by the Intelligence Community Staff. Salaries are the responsibility of the analysts' parent organizations. In the past, approximately 15 professionals participated annually at an average cost of \$25,000 per person.

3. I am committed to improving intelligence analysis and, having reviewed the Exceptional Analyst Program and related programs, am convinced that this program can be improved. While the benefits of the present program are obvious, I also would like more analysts to participate, for shorter periods, with more focus on issues of immediate importance and concern. Therefore, I also welcome proposals for projects of shorter duration, and I have asked the IC Staff to respond flexibly to these ideas when they are received. Further guidance will be provided about this year's program through a brochure which will be sent to your training offices.

4. I strongly urge each of you to nominate your best people; their absence eventually will pay off handsomely in the new perspective, creativity, and knowledge they bring back to their work.

  
William J. Casey

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8 August 1984

MEMORANDUM FOR: Deputy Director of Central Intelligence  
 Deputy Director for Intelligence  
 Director, Intelligence Community Staff  
 Associate Deputy Director for Intelligence  
 Deputy Director, Intelligence Community Staff  
 Comptroller  
 Director of Scientific and Weapons Research

FROM: Director of Central Intelligence

SUBJECT: [REDACTED] Follow-up on In Search of Excellence

1. I very much appreciate and commend [REDACTED] follow-up memo on In Search of Excellence. I like the idea of using the "DCI Sweepstakes" and perhaps also the DCI Exceptional Intelligence Analyst Program to provide continued stimulation to individuals and small groups to tackle critical tasks and generate output. I'd like your ideas on how to do this.

2. The DCI Exceptional Intelligence Analyst Program is ready to be launched right now and I want to hold it up until, at a minimum, we relate it to the excellence program in terms of the importance of stimulating entrepreneurial effort, task forces, etc., to tackle critical problems and develop innovative activity. The Production Enhancement Initiatives may present greater institutional problems. I would like to find a method to use the programs and the funds used to implement them, [REDACTED] for the Exceptional Intelligence Analyst Program, and for the Production Enhancement Program a number which apparently is [REDACTED] a year, never [REDACTED] and which is [REDACTED] with [REDACTED] for the first year of the FY 85-86 projects.

3. I would like your ideas on how close we could come to establishing all this as a program from which funds can be made available to stimulate and facilitate the establishment of task forces and individual efforts which would be less likely to occur. Proposals could come from any part of the Community, including the DCI's office. The funds would be used for travel and research, outside assistance, and other special costs. These projects could be submitted and undertaken in any time frame. They would involve more people in the organization than people taking full-time leave for the project. There would be more short-term projects with immediate payoff potential. There would still be room for high quality projects requiring longer time periods and large amounts of money comparable to some of the projects being funded now in the Production Enhancement Program.

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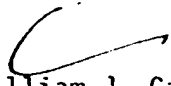
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4. I attach a list of the Production Enhancement Initiatives scheduled to begin in FY-85. The 1984 Exceptional Intelligence Analyst Awards went for such things as:

- The study of the improving quality control of Agency Russian translation;
- Soviet strategy in Central American Isthmus;
- Study of Soviet nuclear weapons program implementation for US nuclear policy;
- Examination of East German illegal activities in the US and abroad;
- Roots of political terrorism;
- Persian Gulf arms transfer;
- US Navy target through the year 2000--Soviet perspectives and responses;
- Soviet operations against French SSBN forces;

5. I also attach a paper on the Production Enhancement Program. I would like your help in developing a concept which preserves the best of these programs but which would make them more dynamic, exciting, attention getting, and pertinent to objectives in contributing to enhancing our capabilities.

  
William J. Casey

Attachments:

1. Paper on Production Enhancement Initiatives.
2. Paper on Production Enhancement Program.
3.  memo to DCI, dtd 1 August 84,  
Subject: Follow-up on In Search of Excellence

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APPROVED PEIs SCHEDULED TO BEGIN IN FY 1985

<u>INITIATIVE</u>	<u>SPONSOR</u>	<u>(Cost in Thousands)</u>	
		<u>FY 1985</u>	<u>FY 1986</u>
	CIA/DDI		
	CIA/DDI		
<u>Political Analysis and Political Culture</u> To use new techniques to improve political analysis. (C)	State/INR	150	150
<u>Optimal Processing and Analysis of LASINT Data</u> To develop methods to apply the correct processing and analysis techniques to collected data. (TS/TK)	USAF/FTD	250	250

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APPROVED PEIs SCHEDULED TO BEGIN IN FY 1985

<u>INITIATIVE</u>	<u>SPONSOR</u>	<u>(Cost in Thousands)</u>	
		<u>FY 1985</u>	<u>FY 1986</u>
<u>Enhancement of Terrorism Analysis.</u> This project would fund the assignment of two additional analysts to the INR terrorism staff to (1) be responsible for day-to-day close support and for liaison between the Department's operating agencies in the counter-terrorism field and the Intelligence Community; and (2) launch a program of long-range studies to analyze actual terrorist situations at the level of individual incidents as well as the broader area of country situations. These analyst assignments would be on reimbursable detail from other agencies of the Community. (S)	State/INR	100	100
<u>Management of Uncertainty in Intelligence Data</u> The purpose of this project is to apply artificial intelligence techniques to the management of uncertainty in data. The approach would be to develop procedures to identify, retain, accumulate, and communicate the uncertainty within a data base and its effect on the inferencing and problem solving tasks associated with that data base. <span style="border: 1px solid black; display: inline-block; width: 80px; height: 15px; vertical-align: middle;"></span>	CIA/DDS&T	<span style="border: 1px solid black; display: inline-block; width: 140px; height: 15px; vertical-align: middle;"></span>	

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28 February 1984

## PRODUCTION ENHANCEMENT PROGRAM (U)

### Background

In 1979, Admiral Turner, then DCI, set up a program for the direct enhancement of the quality of analysis or exploitation. His guidance was, and continues to be under Mr. Casey, that managers and analysts search for new, innovative, and speculative ways to improve analytic production. Projects should have a high payoff, a modest cost, and show cross-program cooperation. No manpower augmentation would be authorized. This means that much of the work is done by contract. Projects are to be considered outside of regular submissions, and would be add-ons to approved programs. The projects would be funded for two years and then, if successful enough to be continued, included in regular funding by the program manager. Items at risk in regular programs would be considered as well.

The basic guidance has changed little under the direction of Mr. Casey. Project submissions are now also matched with the DCI's goals and objectives. In addition, Mr. Casey has made known his particular interests in several areas—terrorism, technology transfer, political instability, and narcotics.

### The Process

A production enhancement initiative is a request for funds to perform a task or series of tasks to improve some aspect of the production process. Most of the tasks depend heavily upon external research, in the form of academic experts, ADP specialists,

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25X1 organizations with sophisticated technical facilities, or a combination of those components.

The production enhancement submissions are tied to the regular budget cycle. This means that program managers receive a budget call for projects in June and make their submissions to the budget director in September for the next fiscal year. The proposals are reviewed by the Intelligence Producers Council and Community experts, with recommendations forwarded to the DCI in early November. Once the DCI approves the projects, the package is sent to the budget director to be incorporated in the NFIP budget. The funds, when appropriated, are subsequently transferred to the appropriate program manager. Unless there is a major discrepancy, the budget director will more or less automatically incorporate the second year funding into the NFIP budget.

25X1 With respect to the justification of a project, the proposal is supposed to be sensitive to the DCI's guidance. It is reviewed by the Program Manager and usually given a priority. After the program manager sends his package to the budget director, it is collated and forwarded to the IPC Staff for substantive evaluation. The Staff makes the first review--to test the proposals against the DCI guidelines and to assign the projects to expert evaluators, such as to one or more of the DCI Production Committees. Each participating agency of the IPC receives a complete package for review and comment. In some cases individual experts or groups are sought, such as a NIO, the DCI's Foreign Language Training Committee or a Collection Committee. The evaluators are charged to examine the project in terms of its utility to the Community, and whether it would duplicate other work in progress, funded, or recently completed--as well as the basic DCI guidance mentioned earlier.

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The IPC Staff receives all the comments and places the PEIs in two categories: recommended and not recommended. For the FY 1984 package, a third category—marginal—was added because, while the topics were important and gave the DCI more options, they failed to meet one of the guidelines. A completed package is then assembled with a general order of priority and forwarded to the IPC principals for final review and comment. It is then sent to Mr. McMahon and Mr. Casey. The ranking of recommended projects has only some influence on the DCI's decisions—since he chooses whatever he wants. In the past he has rejected two entire packages (in FY 83 the program was suspended and last fall (1983) a second round of proposals was required), and he also picked a project from a "not recommended" group because he wanted that topic to be addressed. In that case, the program manager modified his project to make it conform to the DCI's criteria.

The merits of proposals recommended for approval are usually quite evident. The failings of proposals vary widely: some proposals are too vague or brief to be helpful. Others are duplicative, or have narrow objectives that go no farther than an analysts' desk. In a number of instances the project sponsor was asked to provide additional information—at least enough to make sense of the project.

Once the DCI has approved a package, all participants are informed and the budget director takes over on the fiscal side. In the months before a project is scheduled to start, the IPC Staff meets with the project sponsor to get an overview briefing that includes the milestones.

At the end of the first year of a project, an evaluation is conducted which again involves the appropriate production committees. The evaluators are asked to assess the benefit of the project to the Community—to the extent possible. The IPC Staff then

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25X1 prepares a report to the DCI on the status of the various projects, the costs and benefits to date, and any problems. An evaluation report is also made at the end of the DCI's two-year funding cycle on the success of the project.

25X1 In the future, with respect to the evaluation process, the STIC and the WSSIC will be invited to look at all projects and also the IPC Staff will seek to get a briefing from the project sponsors at some time during the cycle.

25X1 Since its inception, there have been a total of 40 projects approved for funding. Only the success rate of the first two years of projects can be reported upon. In many projects, several tasks are involved and more than one application can be identified (see Tab). To date 18 of 25 projects have received additional funds by sponsors or cooperative contributions, or have been integrated into regularly funded programs. Work was completed on three projects for which no follow-on funding was identified—an academic research project and two equipment purchases for production support. Two projects were aborted—an interagency analysis group and R&D forecasting—and two were funded but not under this program. Because of contracting delays, some projects started in FY 1982 have not been completed.

The benefits from these projects to date include such items as:

1. System designs for improved data base and information handling.
2. Simulation models.
3. Report generators.
4. Centralized files and integrated files.
5. Rocket motor test results to improve assessments of Soviet rocket motor thrust levels.

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7. An improved DOD intelligence production data base, including workloads, production responsibilities files, product deficiency files, manpower and functional management files.

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9. Research on problem structuring aid for analysts and alternative probability systems, and preparation of a report on evidence and inference for intelligence analysts.

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11. Data base on Soviet undersea activities.

12. Videotape training aid on telemetry signal analysis.

13. Methods and models on C<sup>3</sup>.

14. Data base development on terrorism, demographics, and information related to political instability.

The number of projects approved has varied--presumably with some dependence on funding levels as well as the appeal of the project.



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In summary, the program is in its fourth year and has shown some tangible results, and an opportunity to demonstrate a Community sensitivity to cooperation in external research for improvements to intelligence production. There have been a number of successes in these ventures and, as may be expected, a few experiments which did not meet expectations.

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## THE DCI PRODUCTION ENHANCEMENT PROGRAM

1. Guidelines
2. Project Categories
3. Functional Tasks/Applications
4. FY 1984, FY 1985 Approved Projects
5. Sponsors
6. Funding

PREPARED FOR THE SCIENCE AND TECHNOLOGY PANEL

BY THE

INTELLIGENCE PRODUCERS COUNCIL STAFF

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## GUIDELINES

- New, innovative ways to improve the quality of intelligence analysis.
- Speculative.
- High payoff, benefit to the Community.
- Two-year funding, modest cost projects.
- Meet the DCI's urgent and early needs, be responsive to DCI's goals and objectives.
- May not involve manpower augmentation.
- Competition among projects, but not against regular program submissions.

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## PROJECT CATEGORIES

	<u>Topics</u>	<u>Number of Projects</u>
	1. High Interest General Research	3
	2. S&T	2
	3. Undersea Reconnaissance	1
	4. Telemetry	3
	5. C	1
	6. Tactical Intelligence	1
	7. Political Instability	4
	8. International Trade	1
	9. Graphics System	2
	10. Foreign Language Exploitation	1
	11. Research Methodology	4
	12. Missile Data	5
	13. Electronic Systems	1
	14. Biographics	1
	15. Foreign Language Training	1
	16. Biotechnology	1
	17. Chemical Warfare	1
25X1	18. <input type="text"/>	1
	19. Defense Industries	1
	20. Human Factors	1
	21. LASINT	1
25X1	22. T <sup>2</sup>	1
	23. Terrorism	2 <input type="text"/>

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## FUNCTIONAL TASKS/APPLICATIONS

<u>Functional Tasks</u>	<u>81</u>	<u>82</u>	<u>84</u>	<u>85</u>	<u>Total</u>
1. Computer Applications	5	6	3	5	19
2. Data Base Development	2	3	3	2	10
3. Research and Analysis	4	6	2	4	16
4. Training Aids	1	-	1	1	3
5. Simulation/Model	2	2	1	2	7
6. Methodology	5	4	1	2	12
7. Exploitation	2	1	1	3	7
8. Equipment Procurement	2	-	-	1	3
9. Collection as an Intermediate Step	1	1	-	2	4
10. Analyst Support Operations	2	-	-	-	2

Applications

1. Analyst Aids	6	4	5	9	24
2. S&T	1	1	2	5	9
3. Policy Decisions	1	1	2	2	6
4. Products	2	3	1	3	9
5. I&W	1	1	1	-	3

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## APPROVED PROJECTS

### FY 1984

1. Biotechnology Center

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3. Advanced Techniques for Language Training

4. Chemical Warfare Agent Studies

5. Defense Industry Data Integration

### FY 1985

1. Spacecraft Telemetry Analysis

2. Operator Performance and Weapon System Effectiveness

3. Political Analysis and Political Culture

4. Optimal Processing and Analysis of LASINT Data

5. Center for Anticipating Soviet Technology Requirements

25X1 6. Study of  (Spacecraft and Missile Measurements)

7. Soviet RDT&E Initiatives

8. Management of Uncertainty in Intelligence Data

9. Enhancement of Terrorism Analysis

25X1 10. Automatic Identification of Terrorists.

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## SPONSORS

Approved ProjectsSponsors

FY 81-82 - 14

DIA - 2; USAF - 4; USN - 1; State - 1; CIA - 6.

FY 82-83 - 11

DIA - 1; USAF - 4; USA - 2; USN - 1; CIA - 3.

FY 83-84 - None

FY 84-85 - 5

CIA - 2; USN - 2; CIA/NSA/DIA - 1.

FY 85-86 - 10\*

CIA/NSA - 1; USAF - 1; TTIC - 1; CIA - 4;

State - 2; CIA/DIA - 1.

## Summary:

DIA	3
CIA	15
State	3
USAF	9
USA	2
USN	4
Joint	4
	<hr/> 40

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\*In two rounds of submissions.

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Authorized

TotalSpent

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25X1

\*Estimated



1 AUG 1984

MEMORANDUM FOR: Director of Central Intelligence

STAT FROM:

[REDACTED]  
Director of Scientific and Weapons Research

SUBJECT: Follow-up on In Search of Excellence

1. By the merest of accidents, I heard a PBS radio program last week that gave a bit of an update on the In Search of Excellence study. I found the message helpful to me, and passed it on to my staff. I thought you might be interested as well.

2. When I tuned in, the program was giving, one more time, a review of the tremendous success of Lockheed's 'Skunk Works'. As in the book, it was described as a 'cut-out' operation which, although small in size, contributed a large measure of the corporation's total creativity.

3. With this as a basis, the remainder of the program centered around an interview with one of the authors of In Search of Excellence. He said that in the four years since doing the research for the book, their studies have led to only one change. The book, he said, while giving a disproportionate credit to small cut-outs, still gave credit to the main organization for a reasonable fraction (forty percent) of the total corporate creative output. They now believe that nearly all corporate creative output comes from cut-outs.

4. He went on to give the characteristics of such cut-out operations, which give insights as to why they work.

- A. They are always underfunded, and undermanned.
- B. They are in competition with the main body of the corporation, resulting in some bureaucratic tensions.
- C. They are much more closely coupled with the consumer. This is driven by the perceived lack of support from within the corporation, forcing them to seek customer assistance in getting around the bureaucracy.

5. He then quoted Mr. Olson, Chairman of the Board of Digital Equipment Corporation. Mr. Olson was lamenting that he only recently learned that his high priority, well funded, well managed programs were for the most part a bust. That if he had it to do all over again, more effort would be placed in cut-outs.

6. There was no sense from this that all corporate activities should be placed in cut-outs. The main stream of the corporation does main stream things. But that cut-outs are needed for the truly creative work.

7. This message helped me crystallize a lot of thinking related to this area, and to help me justify in my own mind some of the activities I have been undertaking, and redirect some others.

8. Being able to follow the theory and putting it into practice on a continuing basis, though, are two different things. An institutionalized cut-out becomes just one more line organization, with its own well defined turf and bureaucracy. Preventing this from happening is probably the main challenge facing the manager who accepts this thesis.

9. In thinking about this memo for you, I wanted to find an example of a program with which you are familiar, and which this new message would suggest a different approach. I believe I have found a good example in the "DCI Intelligence Production Enhancement" program (otherwise known as the DCI Sweepstakes). I believe this is a good idea that has become institutionalized and gone astray. At first blush, it has all the earmarks of a success--a separate pot of money reserved for good ideas that don't make it through the system. In fact, though, in the opinion of most (myself included) the program has been a disaster. Few if any creative ideas have been sponsored, and it's hard to show how the Intelligence Community has benefited significantly.

10. But look what has happened. It now has all the traits of a line organization. It has been planned to death. Imagine, we now tell the analysts they must have their creative idea between May 24th and June 5th of each year. Each written application must be submitted for office review, then, no later than the deadline, submitted in triplicate to an organization in the IC Staff, who has the responsibility to collate, organize, and prioritize with inputs from other agencies. Something on the order of six months later, the proposer is informed as to whether or not he has 'won,' and what modifications he needs to make. Funding will then start the next year.

11. This new message in the search for excellence suggests what needs to be done to make the DCI Sweepstakes program work. First, and foremost, give one person (or at most a small number of people) authority over the program. This person should have a good track record for understanding

intelligence needs and for recognizing creative approaches. This should not be his only function in life, and should only occupy a small part of his time.

12. The person in charge of the program should then hang his shingle on the door and go about his normal (other) business. Now when someone has an idea, he can go to this person and get instant feedback. If the idea has merit, seed money can be approved nearly on the spot. And the option would exist to separate the proposer and his idea from the main line organization and run it as a cut-out. If no one chooses to walk through the door with a new idea--well, we've saved the Government some money.

13. I chose the "Sweepstakes" example to show how the radio program rekindled and redirected my thinking toward the search for excellence. There certainly are plenty of places within OSWR where I plan to try these ideas. I hope you find this relook interesting as well.

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